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New Zealand

Wine

Wine Industry Situation and Outlook

2001

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Report Highlights: New Zealand's wine industry continues its rapid expansion.

Vineyard area is expected to increase by 1,000 hectares per annum until 2003. The value of New Zealand wine exports increased to a record NZ\$198 million (US\$83 million) in the 12 months to March 2001. Even with a lower overall vintage in 2001, the industry is expected to maintain export growth in future years.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Wellington[NZ1], NZ

Vintage 2001:

Although New Zealand's 2001 vintage was substantially smaller than expected due to weather factors, industry officials are confident the harvest will be able to support export growth next year.

Coming off a bumper year in 2000, when 80,100 tons of grapes were produced nationwide, the lower preliminary estimate of 71,000 tons in 2001 came as an initial disappointment to the industry. However, after the harvest was surveyed, it was found that the country's largest export, Sauvignon Blanc, was actually up in yield to a record of 20,800 tons.

Using a conservative estimate of 750 liters of wine per ton, the 2001 vintage is expected to yield approximately 53.2 million liters of wine, down from the 2000 production of approximately 60 million liters.

While total production was down, many of the high quality grapes actually experienced an upturn in production. Sauvignon Blanc was up 34.6% from 2000 to a record harvest of 20,826 tons. Pinot Noir, and Riesling also soared to record levels, with Pinot Noir production up 26.8% to 8,015 tons, and Riesling up 7.6% to 4,377 tons. Chardonnay, Merlot, and Cabernet Sauvignon were all down from the 2000 harvest.

The decline in the 2001 harvest is directly linked to climactic factors, specifically a cool November in the northern regions, which coincided with flowering and resulted in poor fruit set. The regions of Auckland, Hawkes Bay, and Gisborne (northern regions making up approximately 45% of total vineyard area) saw harvests down 54.9%, 54.4%, and 40.7% respectively from the 2000 harvest. These regions represent a major portion of the national Chardonnay, Merlot, and Cabernet Sauvignon production.

On the whole, the nation averaged a yield of 6.3 tons per hectare in 2001. Based on that average, the figures may well be the lowest yields experienced in New Zealand history. The average ton yielded a price tag of NZ\$1396 (US\$586/ton), with Malbec, Syrah, and Sauvignon Blanc driving the top end of the price range. The average price per ton was up NZ\$200 (US\$84/ton) from the 2000 average, or approximately 17% higher. Much of the south saw near record autumn droughts and cool autumn nights. These climactic events have combined to improve color and flavor of the grapes. The quality of this year's harvest is quite high.

Domestic & International Markets:

The New Zealand population consumed approximately 10.5 liters of New Zealand brand wine per capita in 2000, or nearly 41 million liters. During the same period, New Zealand imported nearly 30 million liters of wine, placing total domestic consumption of grape wine at 18.5 liters per capita in 2000. At the same time, total export volume of New Zealand brand wine was over 19 million liters, or 1/3 the total of New Zealand wine produced.

In the 12 months to March 2001, wine imports increased to 32 million liters, while exports rose to 19.5 million liters. Prices for imports averaged out at NZ\$4.33 (US\$1.82) per liter, while that of exports averaged out at NZ\$10.13 (US\$4.25) per liter. In the 12 months to March 2001, imports made a total of NZ\$138,204,563 (US\$58 million), while New Zealand exports made NZ\$198,245,753 (US\$83 million). Industry projections show export growth will triple the 1998 total by the year 2003. Earnings are predicted to exceed NZ\$265 million (US\$111 million) by

that time.

In the year 2000, New Zealand exported 19.2 million liters of wine, earning NZ\$168,633,659. In the 12 months to April 2001, those figures were up to 19.6 million liters earning a price of nearly NZ\$200 million. Looking at the differences between the export market in April 2000, and April 2001, the export market expanded by 3% volume and 22% in value.

The 12 months to April 2001 show an average export price per liter of New Zealand red wine of \$13.14 (\$NZ), while white wines attracted \$9.53 (\$NZ) per liter. While the United Kingdom is New Zealand's largest wine export market (importing 9.87 million liters in the 12 months to April 2001), the United States is its second largest destination and a rapidly expanding export market. Between April 2000 and April 2001, imported wine from New Zealand into the United States increased in volume by 32%, upping its share of New Zealand exports from 13% in April 2000, to 17% in April 2001. In the 12 months to April 2001, the US imported 3,150,691 liters of New Zealand wine, of which 2,807,978 were white; 320,353 were red; 22,122 were sparkling; and 238 were fortified. The US paid an average of \$31.11 (\$NZ)/L for fortified wines; \$17.59 for sparkling wines; \$16.28 for reds; and \$11.74 for white wines.

Trends:

The New Zealand wine industry is undergoing rapid expansion both in export growth and production. Acreage in 2001 was nearly 11,000 hectares, and about 1,000 hectares of new vine area is expected to be planted per annum until 2003. The expansion means that production will increase, allowing the industry to meet international demand for New Zealand wines. However, as the expansion continues, due to the limited availability of suitable viticultural land, more grapes will be grown on marginal sites and the quality and consistency of the product could decline.

Similarly, some growers are beginning to plant popular varieties regardless of the attributes of their site. As Pinot Noir and Sauvignon Blanc exports are meeting larger international demand and finding higher prices abroad, more growers are replanting their vineyards to meet this market trend. Compatibility between a variety and its environment, including climactic and soil characteristics, plays a major role in the quality of product.

New Zealand attributes much of its international success to the consistently high quality wines it produces. Although the New Zealand industry is very aware of market trends, growers must produce within their limits in order to insure a consistently high quality product, the very basis for their export success. To this end, the Wine Institute of New Zealand has proposed legislation that would require mandatory taste testing for exports.